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28 April 1972

Economic and Military Reconstruction  
in North Vietnam

This periodic report reviews economic developments within North Vietnam, including the receipt of economic and military aid and the construction of military facilities. Developments are selected on the basis of their relevance to North Vietnam's ability to continue supporting the war in Indochina and to restore the economy, and thus to their possible effect on the country's desire or need to negotiate a settlement of the current conflict.

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The 1972 State Plan

1. Reports by Premier Pham Van Dong and Deputy Premier Nguyen Con to the National Assembly in late March set forth 1972 goals for all main sectors of the economy, the first such detail in plan announcements since 1965. The report's comprehensiveness may be a reflection of the regime's confidence that the plan can be achieved.

2. Total industrial output is slated to increase by 17%, or almost 15% above the 1965 peak. The target most likely includes some carry-over from 1971 when industrial growth, which was claimed to have been 14%, probably would have been greater except for production stoppages of two to four weeks caused by the floods. A large part of the planned growth in output in 1972 is predicated on a 22% increase from the central industrial branches where a considerable amount of capacity was restored to service last year. Planned increases of 13.7% in the state-run sector of local industry and 11% in handicrafts probably are based largely on more intensive utilization of existing capacity, which in 1971 far exceeded output.

3. In other economic sectors the plan calls for a 20% increase in transportation volume and 44% in capital construction. Here again these goals no doubt include carry-over from last year as both sectors came under intensive criticism for shortcomings -- transportation for failure to make efficient

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use of the claimed ample equipment at its disposal, and construction for a large number of unfinished projects. Agriculture's less ambitious target was put at 8.6% above the "average" for 1970-71, a formula designed to conceal heavy losses from last year's flood. At this rate of recovery agricultural production will be about the same as in 1970 -- roughly 95% of the 1965 peak -- and substantial imports of food undoubtedly will be required at least through mid-1973. The 1972 plan also includes reference to the need for study of long-range development, a subject that has been omitted from published reports on state plans since 1969 when policy-makers were thinking in terms of a postwar 5-year plan, 1971-75.

4. In the aggregate, North Vietnam's 1972 goals represent an estimated GNP slightly in excess of the record year 1965. Industrial targets probably can be fulfilled with relative ease. Agriculture's success in the spring harvest will depend on progress in recovering from flood damage; in the larger autumn harvest, weather conditions will be a crucial variable. Prospects for fulfilling the plan, however, could be degraded by current US bombing. Past experience indicates that if the impact of air strikes against transportation targets is severe, ensuing disruption may dictate a cutback in logistics needs for the economy, in order to concentrate on military priorities. In this event, the effects would be felt indirectly by construction, industry, and agriculture, roughly in that sequence.

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Construction

5. Construction activity during March appeared to proceed at about the same tempo as in the previous two months. At Viet Tri, work continued on expansion of the chemical complex and on reconstruction of three boilers in the powerplant. Finishing touches were being made on the dam of the Thac Ba hydroelectric powerplant, the second of three generators was put into operation, and a new transmission line was being built eastward from the site [redacted]

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[redacted] Reconstruction and expansion of the Bac Giang chemical fertilizer plant continued. A large new building at the Hanoi Motor Vehicle and Reassembly Plant was completed [redacted]

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[redacted] At Haiphong Port, construction continued on the new solid-fill quay and seven cranes were observed in operation. [redacted]

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6. Port facilities in North Vietnam may be expanded even more extensively. In early March, Minister of the Merchant Fleet, Guzhenko, headed a Soviet delegation visiting the Haiphong area and later stated that construction of a large new seaport was planned for Hon Gai with Soviet assistance. It is not clear whether he meant Hon Gai, or the nearby port of Bai Chai, the eastern end of a dual pipeline being laid toward Hanoi.

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Agriculture

7. Cultivation of secondary food crops and industrial crops apparently has fallen behind in the upcoming spring harvest, while main efforts are being concentrated on growing rice. In late March Hanoi admitted that areas flooded last year still had "many difficulties" to overcome and the floods were credited with causing late planting and late harvest of winter crops. This slippage in the schedule was further compounded by unusually cold weather during February which delayed the planting of rice. Peasants subsequently focused their attention on rice cultivation and, as a result, cultivation of both secondary food crops and industrial crops has suffered. With the exception of jute, none of the industrial crop cultivation plans has been fulfilled and industrial crop acreage reportedly is smaller than last year's. No comparative standing of secondary food crop acreage was given although the context of discussion clearly implied that this sector of agriculture was in the same league with industrial crops. As for rice, the emphasis this spring is on high-yielding miracle strains that are claimed to make up 70% of rice acreage. Thus far no statements on rice acreage have been released but total area probably will be smaller than in 1971.

Free World Relations

8. The North Vietnamese delegation that visited Japan from 20 March to 18 April apparently failed to obtain a commitment for long-term loans from Japan's Export-Import

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bank. Moreover, no formal agreement was reached on the establishment of trade offices or government-to-government contacts. Neither side ruled out the possibility of future agreement on some of these issues but Japan appears reluctant to embark on significant new initiatives while the military conflict continues. The North Vietnamese were primarily interested in trade matters, especially the prospects for expansion of coal exports to Japan, and Japanese technical assistance for Hanoi's economic development program.

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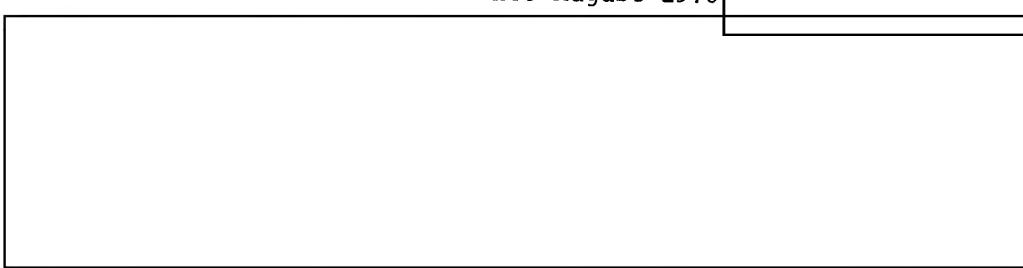
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16. Forty-six merchant vessels (including four Soviet tankers) called at North Vietnamese ports in March. Thirty-seven flew Communist flags (18 Soviet, 10 Chinese, 6 North Vietnamese, 2 Polish, and 1 Cuban), and the remaining 9 flew British and Somalian flags. No other non-Communist flag ships have called at North Vietnam since August 1970



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17. Congestion among dry cargo ships was a problem at Haiphong. The average number of foreign dry cargo ships in port per day fell to 20 from 24 in February, still well above the 13 vessels which Haiphong is currently able to discharge at one time. There was, however, considerable fluctuation and by the end of the month congestion was practically nonexistent. Tankers, which do not compete with dry cargo ships

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for berthing space but unload onto tank barges and small North Vietnamese tankers, also faced unloading delays during the month, in the wake of record petroleum deliveries in January and February. Two small Soviet tankers that had arrived during February remained in Haiphong for more than a month, apparently acting as floating storage so that other tankers could discharge their cargoes and depart. The average layover time for departing tankers was 28 days, compared to a normal stay of 10 days. A greater than usual number of lightering craft onto which the tankers unload were undoubtedly being utilized in the southward shuttle of petroleum down the coast to Vinh.

Conclusions

18. Announcement of North Vietnam's 1972 state plan just prior to the current military offensive underscores the relative independence of Hanoi's economic development from its military pursuits -- "building socialism" while simultaneously supporting the "frontline." Fulfillment of the plan would represent an economic recovery to the previous peak in 1965. Industry's chances of reaching planned targets look promising, especially in view of new industrial capacity restored to operation last year. Agriculture is still suffering from lingering effects of the 1971 floods and achievement of its modest goal will depend on favorable weather conditions. The transportation plan could be adversely affected by current US bombing. If the bombing in this sector should produce severe disruption, scheduled construction projects probably would be rapidly curtailed.

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19. Conditions in the domestic economy appeared reasonably stable during March and early April. There was no discernible change in construction progress or other economic activity to suggest strains caused by preparation for the current military offensive. Press reports admit that planting of secondary foods and industrial crops is below last year's outstanding performance in the spring harvest. In terms of value, however, the concentration of efforts on rice cultivation will have a more beneficial effect on total agricultural production than shortfalls in output of secondary foods and industrial crops might suggest.

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APPENDIX

US Bombing

The recently stepped up bombing strikes over North Vietnam have been focused primarily on military targets and transportation-logistics facilities.

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and assessment of damage is preliminary. Several warehousing areas at Haiphong Port sustained destruction or damage, and the Gia Thuong warehouse area near Hanoi was approximately 40% destroyed. Cargo operations at the port apparently were suspended for a few days following the 17 April bombing. Attacks against petroleum storage facilities in the vicinity of Hanoi and Haiphong destroyed or damaged about 50% of bulk storage capacity, which corresponds to 30% of bulk capacity at the 10 principal storage terminals, and about 13% of total storage capacity (including dispersed tanks) in the country. Damage to rail sidings and the oil jetty at Haiphong may cause some temporary interference with tanker discharging and with the normal pattern of internal distribution. However, the destruction thus far probably will not seriously impair North Vietnam's civil or military activities, at least for the next several months. On 22 April the Regime announced that evacuation of Hanoi had been started to relocate old people and children outside the city. Some small industries, probably handicraft enterprises, also were included in the evacuation order.

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Assessment of airstrikes in the southern part of North Vietnam also is incomplete. Runways at several airfields including Bai Thuong and Quan Lang were cratered, and additional damage may have been inflicted on nearby airfield support facilities. The Vinh rail yard was extensively damaged by strikes on 20 April, although the nearby petroleum depot appears to have survived unscathed. Petroleum storage at Ben Thuy Port was slightly damaged but the bunkering pier at this facility was left intact.

Only three significant industrial installations are known to have been struck so far. One section of the Haiphong Cement Plant received moderate damage and the entire plant was shutdown on 17 April. The Ben Thuy powerplant also received damage, the full extent of which is unknown. [redacted]

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[redacted] severe damage to the Thanh Hoa powerplant sufficient to keep this plant out of service for months.

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